Department of Finance
Budget Information System
Project Kick-Off

April 17, 2006

Opening Remarks

Vince Brown, Chief Deputy Director
Department of Finance

The BIS Project is a collaborative statewide effort that will result in a new system to replace existing legacy financial systems and significantly improve California's budget development and administration processes.

Agenda

- **Overview of the BIS Project** *Randy Baker*
  Project Director

- **Introduction of Project Team** *Randy Baker*

- **Introduction to ERPs** *Phil Ferguson*
  Informatix/Gartner Team

- **Chart of Accounts & Acquisition Component** *Michele Blanc*
  Informatix/Gartner Team

- **Participant Roles** *Michael Teeters*
  Informatix/Gartner Team

- **BIS Project Communication Processes** *Kristin Shelton*
  BIS Project Office

- **Questions and Answers**

BIS Project Overview

Randy Baker, Project Director
Department of Finance

Statewide Budget Applications

- Finance's budget systems are more than 25 years old

- To the best of our knowledge, no automated budget systems are currently being used by state agencies.

- While a few departments have enterprise systems in use, none currently use the budget component.

- No electronic interfaces between Finance and other departments currently exist.

- Departments expect Finance to take the lead on delivering a budget application for their use.

Challenges with Current Process

- Department data is not at the level required by Finance.

- The majority of budget information is sent to Finance on hardcopy formats.

- While the eBudget improved processing of budget documents there is still work to be done.

- Budget data is duplicated at departments and Finance.

- Department budget processes differ from Finance budget processes.

- Budget information does not interface with CALSTARS.

- Funding constraints or parameters based on statute, legislative intent, or agreement are not tracked by Department of Finance systems.

The What and Why of the BIS Project?

- A collaborative statewide effort that will result in a new system that will replace existing legacy financial systems and significantly improve California's budget development and administration processes.

  - Existing systems do not fully meet business needs and are reaching obsolescence (25 – 30 years old).

  - Now is the time to rethink business systems and processes.

  - There are significant benefits of an enterprise wide system (ERP).

BIS Project Benefits

- Increase transparency to provide a better basis for decision making.

- Streamline government operations by giving managers, end-users, and stakeholders easy access to timely and accurate information.

- Eliminate redundant systems and processes by integrating financial data into a single repository.

- Increase fiscal accountability and control at all levels of an organization, including statewide.

- Utilize best practices for handling and processing data.

- Standardize and modernize technology which will reduce the wide variety of programming languages, tools, databases, etc. used in the state.

- Real time comparison of budgeted to actual expenditures.

Benefit Realization

- Select a proven commercial-off-the-shelf product that supports financial management (including budgeting and accounting).
- Take advantage of future technologies that are adaptable.
- Uniform and streamlined processes that use:
  - Electronic workflow
  - Automated audits and edits
  - Centralized rule administration
- Minimize operational costs and maximize efficiency
  - Improved business practices
  - Expand best practices statewide
  - Streamline data collection
  - Collect data as close to the source as practical
- Reduce need for independent departmental systems

What is an ERP System?

Enterprise: The core functionality consists of software applications that have an organization-wide impact. An *enterprise* in the public sector can be defined as either an entire state or an individual department.

Resource: These applications concern the management of both financial and non-financial resources.

Planning: The system focuses on improving strategic (i.e., future-oriented) decision making for the organization as a whole.

- Integrates all major business functions into one application—accounting, budgeting, procurement, human resources, etc.
- ERPs began appearing in government applications five to seven years ago.
- Major changes have been made to the software to accommodate the public sector.

Guiding Principles

- Track and record issues and justification throughout the budget cycle.
- Ability to have multiple versions of a budget year open simultaneously.
- Ensure that data entry is efficient and intuitive by allowing information to be electronically submitted, validated, and reported at the earliest possible point in the process.
- Maintain appropriate levels of security and transaction integrity.
- Encourage uniformity and standardization to reduce training costs, allow data sharing to ensure data consistency.
- Maintain a repository of easily accessible historical financials information.

Project Status – What has occurred

- Established core project team
- Identified objective
- Completed high-level project plans
- Conducted market research
- Business process reengineering effort
- Conducted departmental interviews/surveys
  - High-level requirements identification
  - Chart of accounts survey

Department Interviews

- Conducted interviews with 21 departments in the Fall 2004 to determine needs/expectations for a statewide budget system.

- Enthusiastic with the concept of the proposed BIS Project – wondered when it would be available for their use.

- Indicated a complete financial system, including accounting, procurement and contract model/functions would be of optimal value.

- Expressed desire for coordination between Finance and SCO to lessen or eliminate duplication of forms and processes.

Department Interviews (cont)

- Questioned if the BIS was a response to the recommendation of the California Performance Review (CPR) effort.

- Concerned about the costs to implement being passed on to departments.

- Expressed frustration with the lack of linkage of existing systems and spreadsheets in use.

- Thought the proposed system would save time and resources and would be of benefit to departments for internal management purposes.

Chart of Accounts Survey

- Conducted a survey of departments in October 2005
- Approximately 43.5 percent of the departments surveyed provided a response – variety of department sizes, complexity, and business needs.
- Recognizing the concerns raised, the first efforts for the BIS Project focuses on the chart of accounts.
- Survey information will be the basis for the initial work sessions related to the chart of accounts.
- Improve and expand various definitions within the current chart of accounts.
- Current systems do not meet budget preparation and monitoring needs.

Project Status – What has occurred (cont)

- FSR approved by Administration
- Selected vendor for chart of accounts analysis and requirements definition/RFP preparation
- Established procurement milestones
- Released project website
- Identified a project governance structure

Project Status – What is planned

ACTIVITY: **DATE:**

- Chart of Accounts (COA) Analysis/Strategy   Spring/Summer 2006

- Develop/Release RFP   Summer/Fall 2006

- Proposal Evaluations   Spring 2007 – 2008

- System configuration and testing   Spring/Summer 2008

- Phase 1 Implementation   Summer 2009

PARTICIPANTS

Finance and department subject matter experts (SMEs) will participate in nearly all the activities identified above. Agency secretaries, senior managers, and DGS will also participate in key review activities.

What are the biggest challenges?

- The size, scope and complexity of a statewide implementation will require a significant level of resources and time supported by unwavering sponsorship and commitment.

- All stakeholders must fully *embrace* and support the BIS Project.

- Project leadership must stay focused on reaching the long-term business goals and timelines.

- A comprehensive change *management* leadership, education, and training program will be required.

- Success is only possible if the "best and brightest" staff are assigned to the implementation team.

Project Stakeholders – Who are they?

- State departments and agencies
- Legislature
- Legislative Analyst's Office
- State Control/Service Agencies
  - State Controller's Office (including 21st Century Project)
  - State Treasurer's Office
  - Department of General Services
  - Department of Personnel Administration
  - State Personnel Board
  - Department of Technology Services
- Legislative Counsel Bureau
- Vendors
- The Public

Project Oversight - Participants

- **Executive Leadership Council**
  - Department of Finance Executives
  - State Chief Information Officer
  - State Controller's Office Executives
  - Agency Secretaries – selected agencies
  - DPA, SPB, and DTS Directors

- **Enterprise Process Advisory Committee**
  - Various department executive or administrative staff responsible for the main business functionality of fiscal administrative systems

- **Budget Practices Council**
  - Program Budget Managers
  - Finance Chief Information Officer
  - CALSTARS/FSCU Chief

- **Independent Oversight and Verification Consultant**

- **Procurement Oversight Committee**
  - BIS Project Director
  - DGS Procurement Executives
  - DGS Office of Legal Services
  - DGS Procurement Consultant

Project Oversight - Roles

- **Executive Leadership Council**
  - ➤ Provide statewide leadership, guidance, and support for the Finance BIS Project and advice regarding consistency with statewide direction.
  - ➤ Communicate the vision and work to reduce barriers and mitigate risk.
  - ➤ Allocate departmental and agency resources.
  - ➤ Provide issue resolution across agencies for issues that have statewide impact.
- **Enterprise Process Advisory Committee**
  - ➤ Support business process reengineering, continuous process improvement, and process standardization.
  - ➤ Provide a forum for sharing information among various enterprise efforts.
  - ➤ Support a clear and coherent strategy for an orderly and coordinated approach to future system implementations.

Project Oversight – Roles (cont)

- **Budget Practices Council**
  - Provide guidance to the project as stewards of the State's budget process.
  - Own and promote the vision for the BIS Project.
  - Responsible for communicating project strategy, benefits, direction, status, and recommendations to stakeholders, public, legislature, and the Executive Leadership Council.
- **Independent Oversight and Verification Consultant**
  - Help detect risks and variations that occur during the project.
  - Recommend corrective action.
- **Procurement Oversight Committee**
  - Identify and reduce procurement barriers to ensure a fair and competitive procurement processes that provides the best value to the state.

Introduction of Project Team
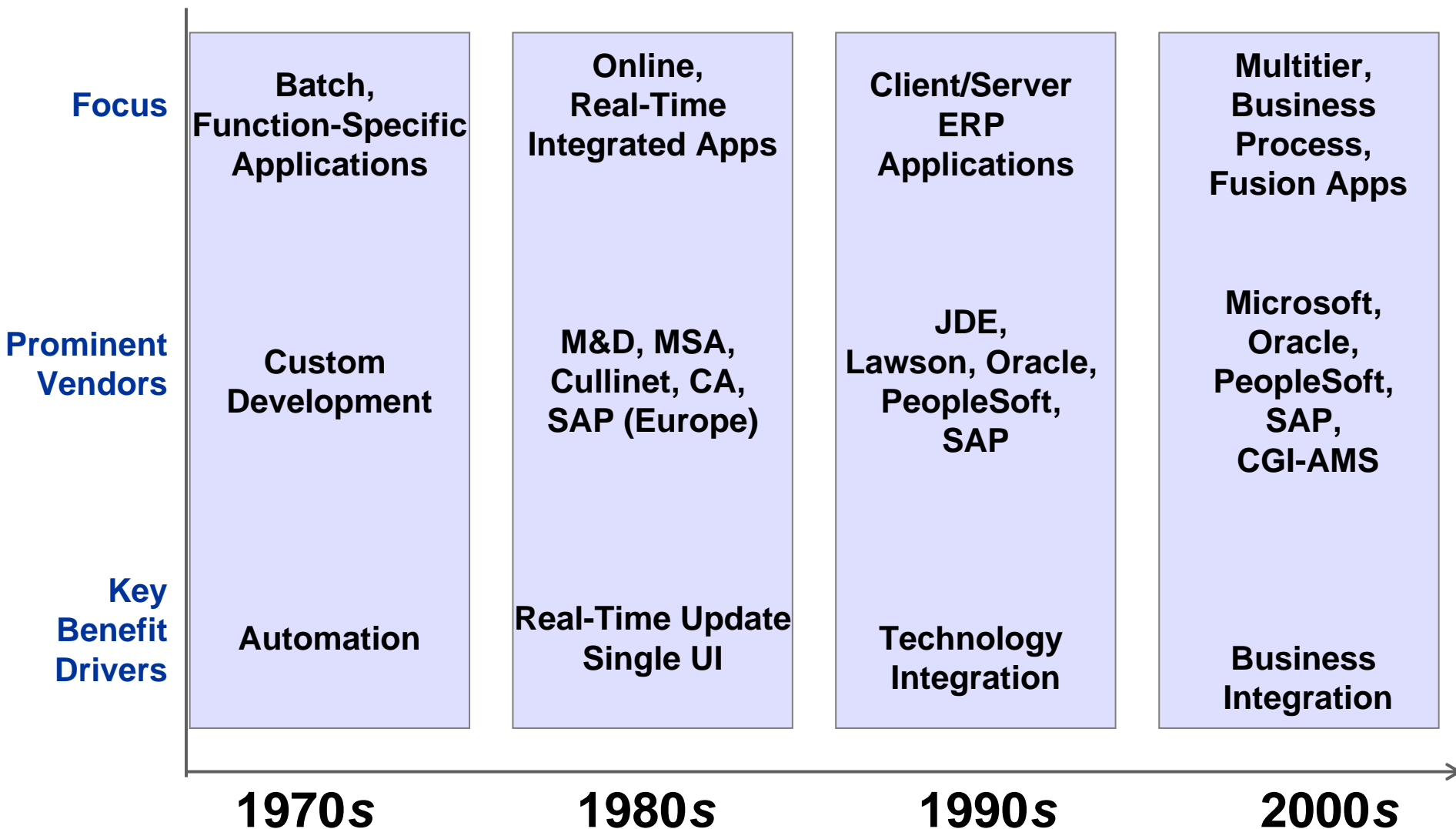
- DOF Team
- Informatix Team
- Gartner Team

Introduction to ERPs – The What, Why, and How

Phil Ferguson, Gartner Team

Evolution of Back-Office Applications

	1970s	1980s	1990s	2000s
Focus	Batch, Function-Specific Applications	Online, Real-Time Integrated Apps	Client/Server ERP Applications	Multitier, Business Process, Fusion Apps
Prominent Vendors	Custom Development	M&D, MSA, Cullinet, CA, SAP (Europe)	JDE, Lawson, Oracle, PeopleSoft, SAP	Microsoft, Oracle, PeopleSoft, SAP, CGI-AMS
Key Benefit Drivers	Automation	Real-Time Update Single UI	Technology Integration	Business Integration

Source: Gartner

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Financial Management System Landscape

Enterprise Planning

Financial Consolidation

Transactional Feeds

Financial Analysis

Portal/CFO Dashboard

Sales Forecasting

Budgeting

Treasury Management

Procurement

Portfolio Analysis

Integrated Core Financials

General Ledger

Payables

Receivables

Fixed Assets

Strategic Planning

BU Consolidation

Payroll

Travel & Exp. Mgmt.

Profitability Analysis

Analytics

Source: **Gartner**

What is an ERP?

Enterprise Resource Planning (ERP)

Financial Management System

Human Resource Management System

Manufacturing System

Supply Chain Management (Procurement)
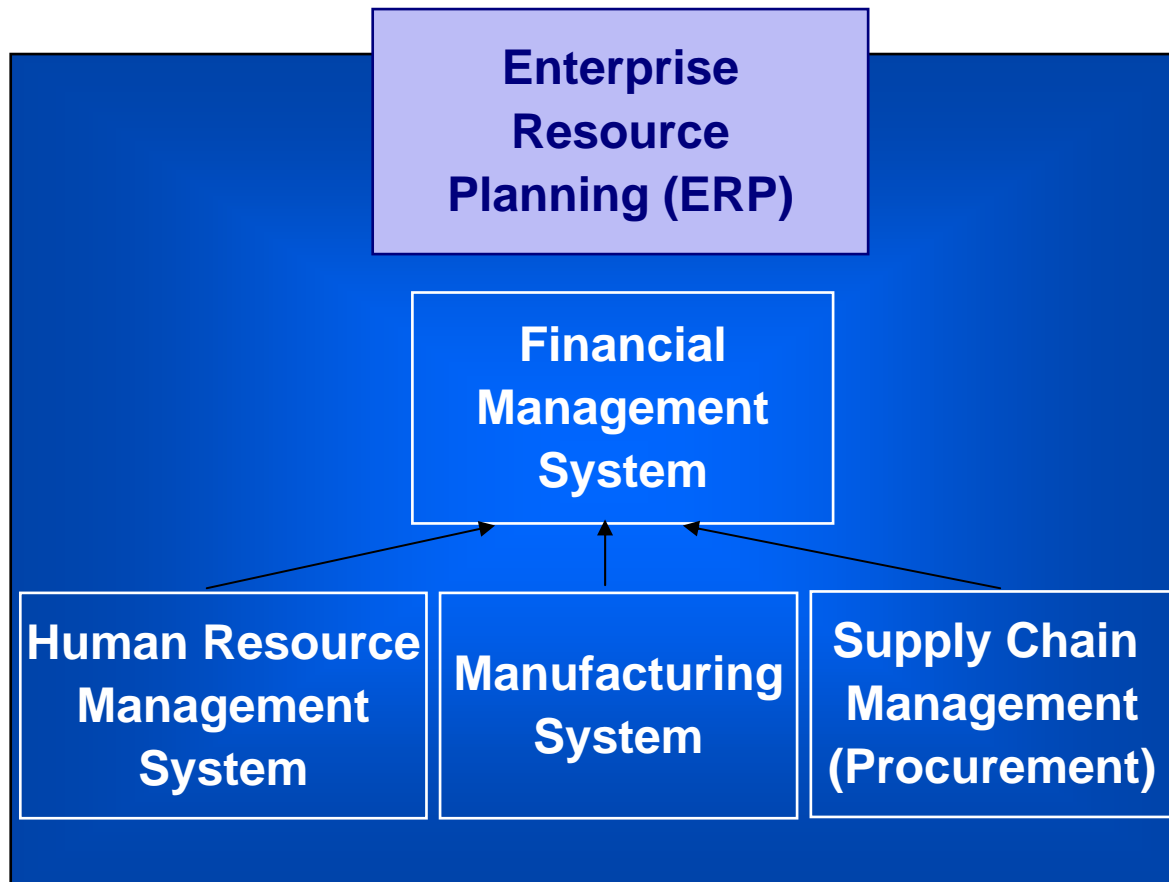
An ERP provides:

- **An integrated, enterprise-wide software suite**

- **A consistent view of key enterprise resource data (financial and non-financial)**

- **Embedded 'best practice' business processes**

- **A tool to enable on-going strategic decision-making**

Private Sector vs. Public Sector

In Industry:
1. **Focus on Manufacturing / Distribution**
2. **Transaction focus on Supply Chain and Customer Relationship**
3. **End-to-end integrated system**
4. **ROI justification**

Technical Issues:
- **Infrastructure**
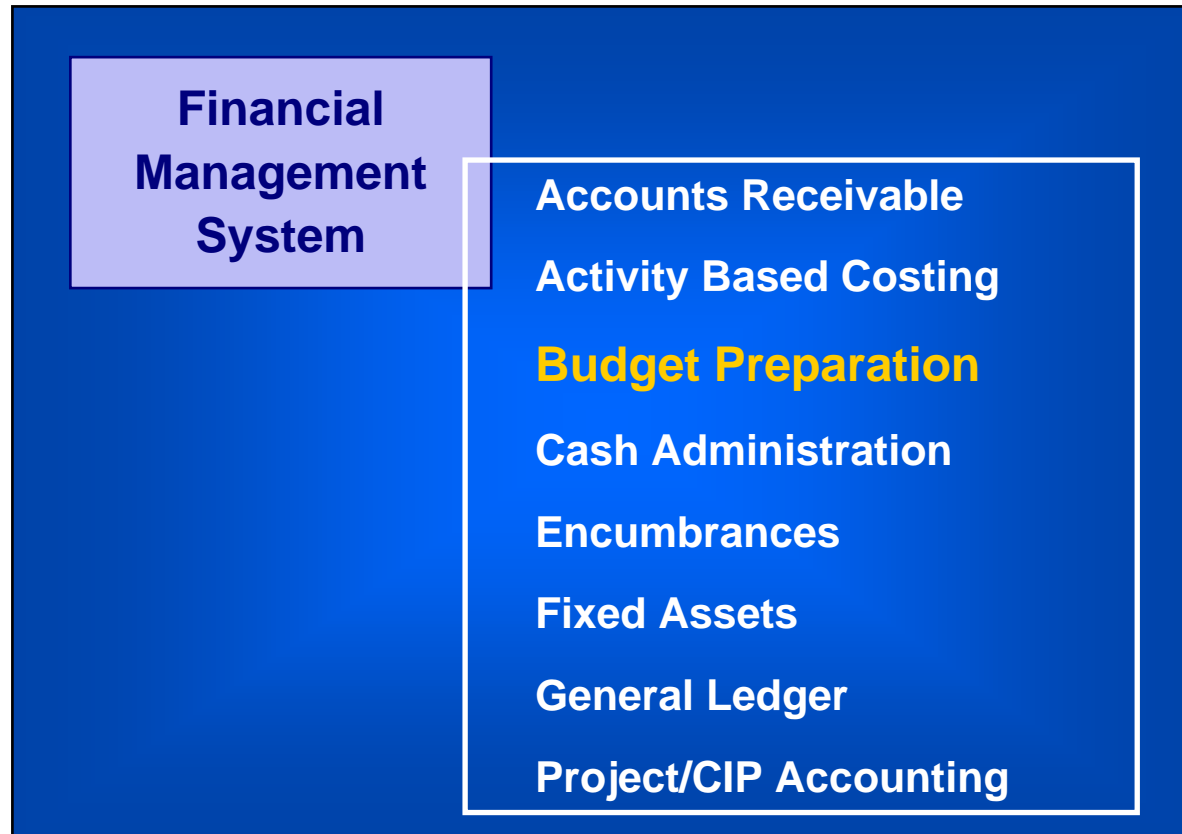- **Large-scale integration**
- **Support sourcing**

Business Issues:
- **BPR**
- **Cost**
- **Support Resource**

In Government:
1. **Focus on financial management**
2. **Transaction focus on Services**
3. **Mandated system interfaces**
4. **Risk mitigation justification**

Financial Management System Components

Financial Management System

Accounts Receivable

Activity Based Costing

Budget Preparation

Cash Administration

Encumbrances

Fixed Assets

General Ledger

Project/CIP Accounting
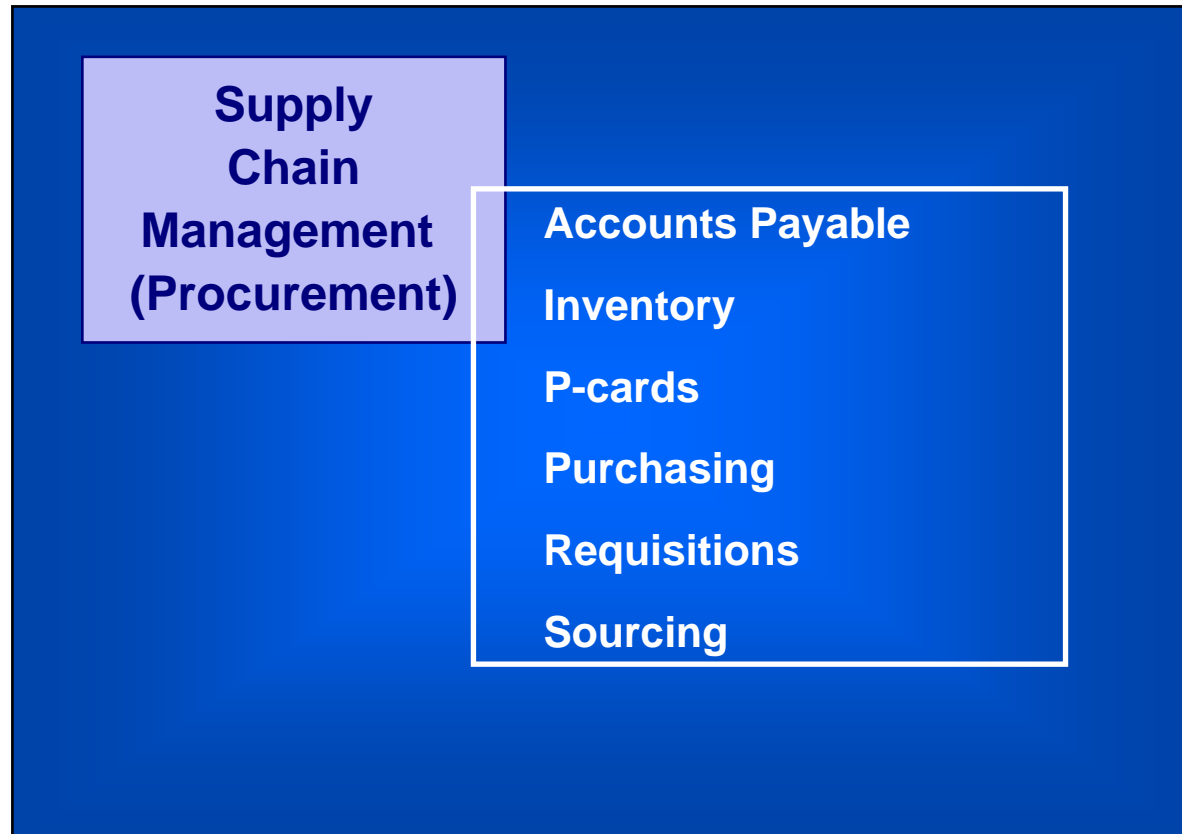
Human Resource Management System Components

Human Resource Management System
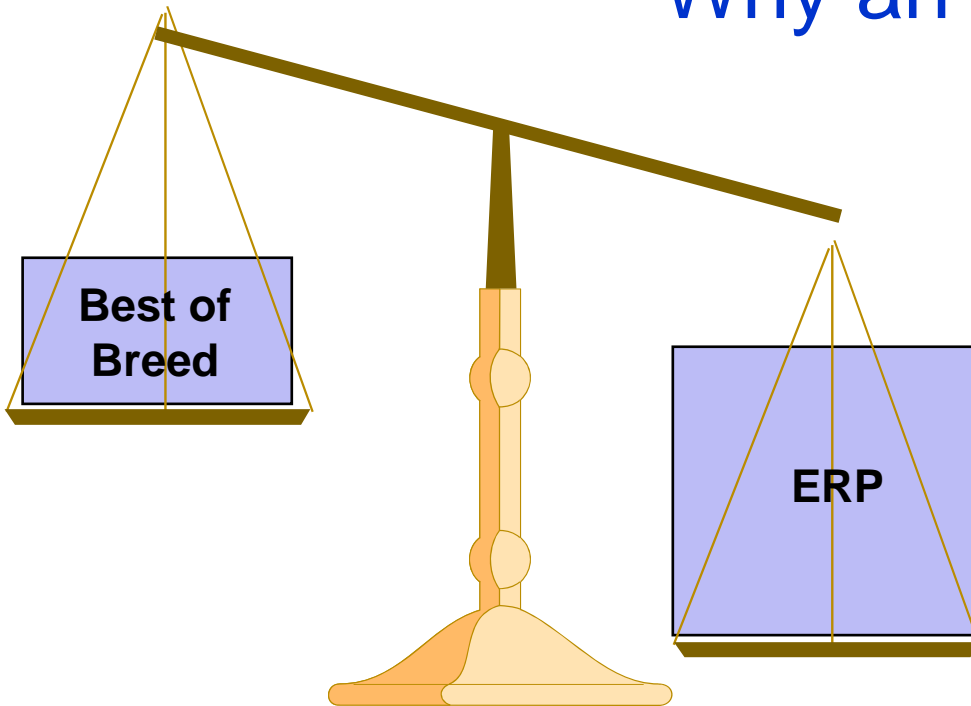
21st Century Project

- **Payroll**
- **Employment**
- **Position Management**
- **Employee Self-Service**
- **Manager Self-Service**
- **Management Reporting**
- **Benefit Administrations**
- **Timekeeping**
- **Leave Accounting**

Supply Chain Management (Procurement) Components

Supply Chain Management (Procurement)

Accounts Payable

Inventory

P-cards

Purchasing

Requisitions

Sourcing

Why an ERP?

Best of Breed

ERP

In the current economic climate, lower cost drives enterprises to an ERP strategy

Drivers

- **Operational Efficiency**
- **Transparency**
- **Lower Risk**
- **Business Process Relationship**
- **Greater Integration**
- **Better Quality & Consistency of Information**
- **IT Simplicity**

Inhibitors

- **Vendor Dependency**
- **Market Consolidation**
- **Functional Shortcomings**
- **Lack of Proven ROI**
- **Departmental Autonomy**

People and Change

Won't Change

Traits
- **Not bought in**
- **Threatened**
- **Pride in Ownership**
- **Experienced Previous Failures**

What can be done
- **Communication**
- **Active Engagement**
- **Responsible for Change**
- **Incentive**
- **Decisive Leadership**
- **Biggest Critic to Biggest Advocate**

Can't Change

Traits
- **Lacking Skills**
- **Lacking Understanding**
- **Would Rather Quit**

What can be done
- **Communication**
- **Engagement**
- **Training**
- **Career Counseling**

What Change?

Traits
- **Ambivalent**
- **Follower**

What can be done
- **Communication**
- **Engagement**
- **Exposure**
- **Training/Education**
- **Support**

What it means to you…

New Systems

- Different screens
- Different terminology
- Different data to enter
- Different Reports

New Processes

- Different info coming from different places
- Different approval paths
- Reduced steps in a process

New Responsibilities

- Potential for delegated authorities
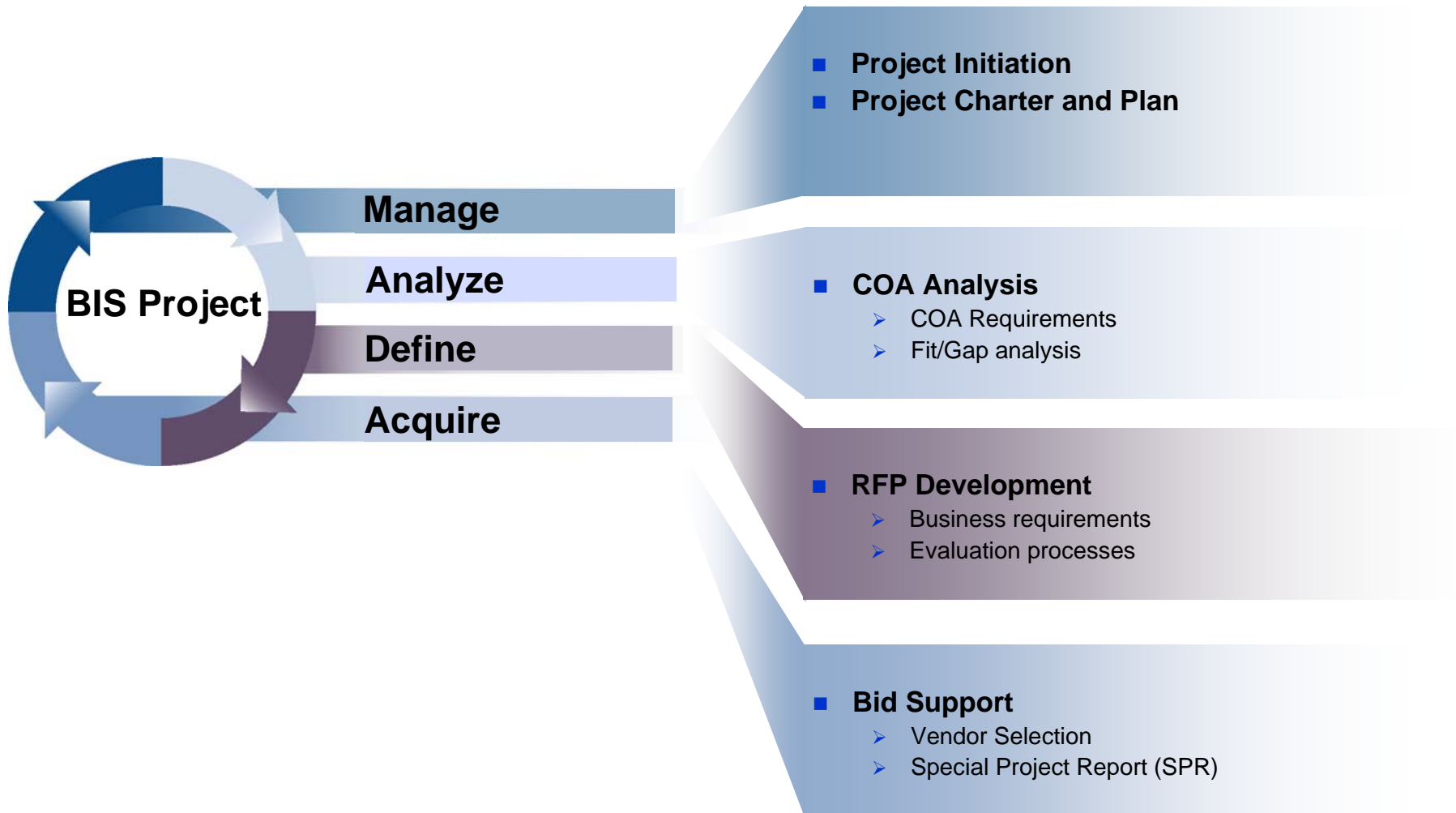- Automated approvals
- Different people entering data

Chart of Accounts and Acquisition Component

Michele Blanc, Informatix Team

The What and Why of the COA-Acquisition Component

- BIS is a collaborative statewide effort resulting in a new system to significantly improve California's budget development and administration processes.

- The first steps result in the COA strategy for the state:
  - Chart of accounts is the foundation for any financial system implementation
  - Departments have identified shortcomings with the current COA

- Subsequent steps result in procurements to support the goals of BIS.

Overview

BIS Project

| Manage |
| Analyze |
| Define |
| Acquire |

- **Project Initiation**
- **Project Charter and Plan**

- **COA Analysis**
  - COA Requirements
  - Fit/Gap analysis

- **RFP Development**
  - Business requirements
  - Evaluation processes

- **Bid Support**
  - Vendor Selection
  - Special Project Report (SPR)
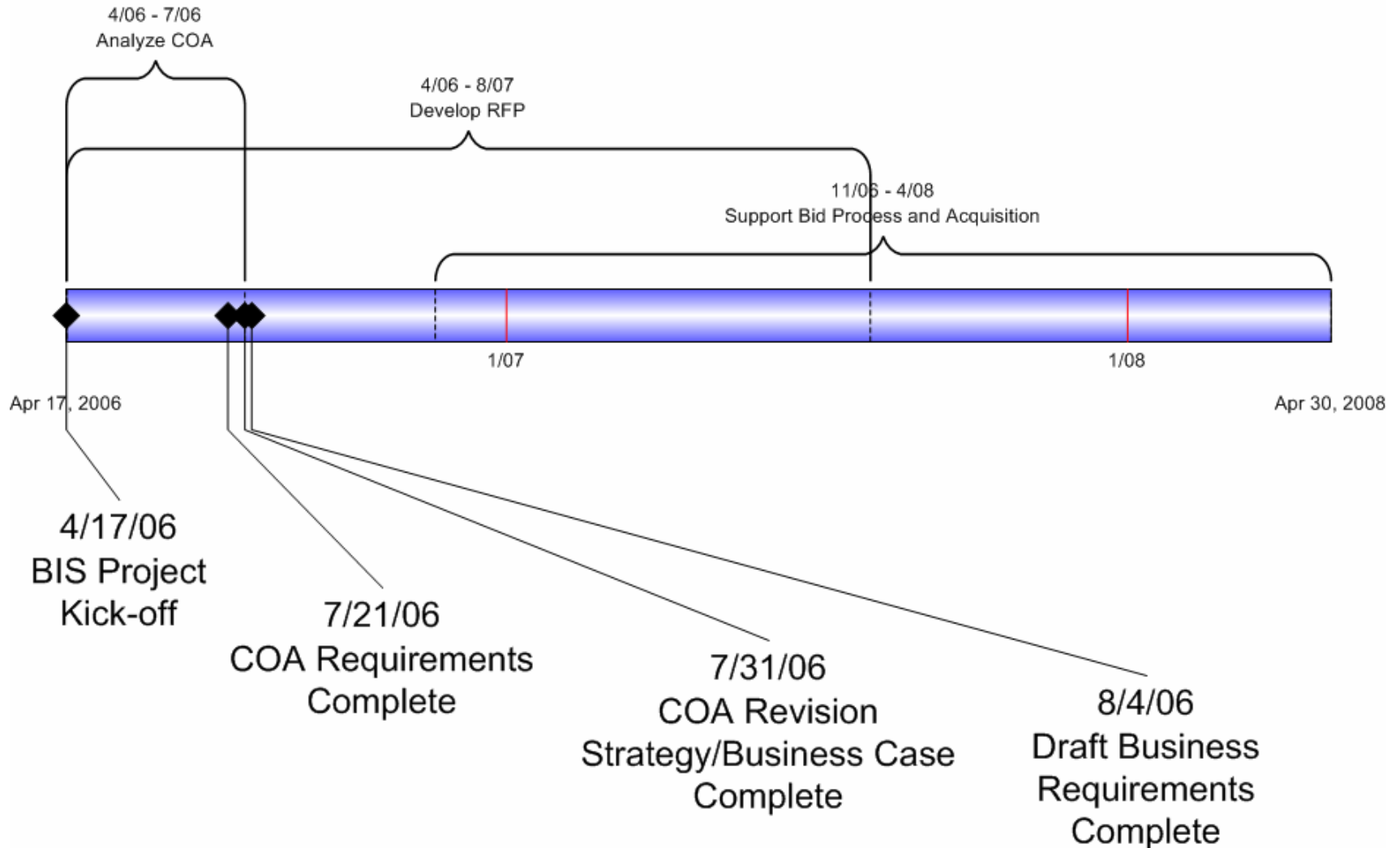
Questions to Consider…

- Does the UCM meet your needs?

- What would you add?
  - More detail?
  - Department-specific data?

- What needs to be in place to make these additions?
  - Standard terms/definitions?
  - Well-defined parameters?
  - Understanding of impacts/trade-offs?

- How would changes impact BIS requirements…

Key Activities

- Spring/Summer 2006 - Analyze Chart of Accounts (COA)
  - Identify gaps
  - Document requirements
  - Develop future transition strategy

- Summer/Fall 2006 - Develop RFP
  - Functional/technical requirements
  - Bid process
  - Evaluation methodology

- Winter 2006 through Spring 2008 - Support bid process and acquisition

Project Schedule and Milestones

4/06 - 7/06
Analyze COA

4/06 - 8/07
Develop RFP

11/06 - 4/08
Support Bid Process and Acquisition

1/07

1/08

Apr 17, 2006

Apr 30, 2008

4/17/06
BIS Project
Kick-off

7/21/06
COA Requirements
Complete

7/31/06
COA Revision
Strategy/Business Case
Complete

8/4/06
Draft Business
Requirements
Complete

COA Analysis

- **Review the Current COA and Identify Existing Gaps**
  - Reviewing Existing Data (e.g., UCM, BSDU Surveys)
  - Conduct Workshops/Interviews/Surveys

- **Document the COA Requirements for the BIS Implementation**
  - Develop COA Requirement Database for RFP
  - Identify enterprise-wide solution impacts/requirements

- **Conduct Analysis and Prepare Reports to Support Findings**
  - Analyze impact to statewide and departmental business processes, such as financial reporting
  - Develop transition strategy to future COA deployment

RFP Development

- **Document requirements**
  - Conduct business (functional and technology) requirements workshops
  - Incorporate COA requirements

- **Develop RFP and supporting documents**
  - Incorporate business requirements
  - Develop administrative requirements
  - Develop and document evaluation strategy

- **Review and Finalize RFP and Supporting Documents**
- **Support Bid Process**

Near-Term Activities

- **BIS Team Research**
  - CA Uniform Codes Manual (UCM) versus "typical" enterprise system chart of accounts
  - Reporting requirements (e.g., GAAP, CAFR and Federal)
  - Management needs (e.g., budget preparation and control)

- **Departmental Workshops and Surveys**
  - COA Usage: fit versus gaps
  - Reporting Needs: financial, project/grant, statutory and other
  - Supporting Systems: CALSTARS and departmental

Participants Roles

COA Roles and Activities

- Responding to surveys
- Participating in interviews
- Attending COA workshops and related sessions, such as:
  - Budget preparation
  - Financial reporting
  - Project/Grant (Federal) reporting
  - Other Statutory Reporting
  - Other Management Requirements
- Reviewing key summaries from data gathering activities (interviews, workshops, surveys)

Business Requirements Roles and Activities

- Attending requirement workshops, such as:
  - General Budget (e.g., planning, development, forecasting and reporting)
  - General Ledger (e.g., Chart of Accounts, budget control and journal entry)
  - Some Asset Management, Bank and Reconciliation, and Cost Accounting
  - Technology requirements (e.g., technical, implementation and development, post-implementation)
- Reviewing key summaries from data gathering activities

Participant Profile

- Representatives from:
  - Budget and Accounting Offices
  - Departmental human resources and procurement staff
  - Control Agencies
- Staff with the following skill sets:
  - Knowledge in current budgeting and accounting practices
  - Knowledge in human resources and procurement
  - Organization and knowledge of current budget and accounting business processes
  - Skilled in developing innovative strategies
  - Strong communicator
  - Enjoy working at a statewide level

Workshops – What to expect

- **Prior to the Workshop:**
  - ➢ Be prepared to represent your department in the development of requirements

- **During the Workshop:**
  - ➢ Share your ideas and communicate your department's needs and concerns
  - ➢ Work toward synergistic development of ideas

- **After the Workshop:**
  - ➢ Share the workshop results with your organization
  - ➢ Promote and support the resulting initiatives
  - ➢ Complete action items as requested

Workshops – Time Commitment

- Over 25 workshops are anticipated for both COA analysis and business requirements

- An individual can expect to participate in:
  - 4-8 sessions over the next 3 months
  - Estimated duration
    - COA: 2-4 hours each
    - Business Requirements: ½ to full day each
  - Additional time for survey/review feedback

COA Workshop Subject Areas

	Budget Preparation and Control	Financial Reporting	Project/Grant (Federal) Reporting	Other Statutory Reporting	Other Management Requirements
Control Agencies	Initial / Follow-up	Initial / Follow-up			
CALSTARS Departments			Initial / Follow-up	Initial / Follow-up	Initial / Follow-up
Non-CALSTARS Departments			Initial / Follow-up	Initial / Follow-up	Initial / Follow-up

COA Workshop Schedule

4/24/2006 - 5/27/2006						
Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
April 23	24	25	26	27	28	29
		9:00 AM - 12:00 PM	9:00 AM - 12:00 PM			
30	May 1	2	3	4	5	6
		9:00 AM - 12:00 PM	9:00 AM - 12:00 PM	9:00 AM - 12:00 PM		
7	8	9	10	11	12	13
		9:00 AM - 12:00 PM	9:00 AM - 12:00 PM	9:00 AM - 12:00 PM		
14	15	16	17	18	19	20
		9:00 AM - 12:00 PM	9:00 AM - 12:00 PM			
21	22	23	24	25	26	27
		9:00 AM - 12:00 PM	9:00 AM - 12:00 PM	9:00 AM - 12:00 PM		

Location: Department of Finance, 915 L Street in the Redwood Room

Your Participation is Vital

- Provides feedback related to:
  - COA gap, fit, usage and requirements
  - Business requirements
  - Departmental needs
- Ensures departmental needs are reflected in:
  - COA strategy
  - Solution requirements
  - Procurement
- Today's afternoon session will discuss your participation in greater detail
  - Looking forward to seeing you there

Project Communication Processes

Kristin Shelton, Principal Analyst

Department of Finance

Project Communication Processes

- Project Website
  - ➢ Launched in October 2005
  - ➢ http://www.dof.ca.gov
  - ➢ Click on "Budget Information System" in the left navigation
  - ➢ Currently being expanded
- BIS Bulletins – Issued periodically to share and request key project information
- BIS Distribution List
- BIS e-Mail Address
  - ➢ BIS@dof.ca.gov
- Periodic statewide meetings for stakeholders

Wrap-up

- Immediate Questions?
- Follow-up Questions
  - Response Card
  - BIS Mailbox: BIS@dof.ca.gov

- Thank you – See You This Afternoon
  - EDD Auditorium
  - 1:30 PM